

OVERALL BUSINESS FOR HICAP SERVICES

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AMERITECH HAS LOST SUBSTANTIAL HICAP BUSINESS SHARE IN THE "AT RISK" AREAS OF CHICAGO AND GRAND RAPIDS DUE TO PENETRATION OF MFS, TCG, CITY SIGNAL AND OTHER CAPS.

PERCENT HICAP BUSINESS SHARE BY DSI EQUIVALENT

<u>CITY</u>	<u>COMPANY</u>	<u>AMERITECH SHARE</u>	<u>COMPETITOR* SHARE</u>
CHICAGO**	ILLINOIS BELL	61%	39%
GRAND RAPIDS**	MICHIGAN BELL	69%	31%
CLEVELAND	OHIO BELL	94%	6%
COLUMBUS	OHIO BELL	94%	6%
DETROIT	MICHIGAN BELL	98%	2%
INDIANAPOLIS	INDIANA BELL	95%	5%
MILWAUKEE	WISCONSIN BELL	96%	4%

*COMPETITOR SHARE INCLUDES COMPANY OWNED CIRCUITS (i.e., END-USERS WITH THEIR OWN HICAP CIRCUITS).

**CHICAGO AND GRAND RAPIDS HICAP SHARE IS BASED ON ESTIMATES FOR THE "AT RISK" PORTION OF THE DOWNTOWN AREAS, DEVELOPED WORKING WITH AMERITECH SERVICES COMPETITIVE ANALYSIS GROUP.

METROPOLITAN AREA FINDINGS

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- CHICAGO -

METROPOLITAN AREA FINDINGS

- CHICAGO -

CHICAGO IS AMERITECH'S LARGEST AND MOST COMPETITIVE CITY FOR HICAP SERVICES. AMERITECH FACES COMPETITION FROM THREE NATIONAL CAPS FOR HICAP DIGITAL FIBER OPTIC SERVICES INCLUDING MFS, TCG AND DIGINET. DIGITAL DIRECT CIRCUITS AND MARKET BUSINESS ARE COMBINED WITH TCG.

BUSINESS SHARE BY DS1 EQUIVALENTS

<u>PROVIDER</u>	<u>%</u>	<u>DS1 EQV.</u>
ILLINOIS BELL	61.00%	7,586
MFS	31.00%	3,855
TCG	2.00%	249
DIGINET	2.00%	249
COMPANY OWNED	4.00%	497
 TOTAL BUSINESS AT RISK	 100.00%	 12,436

AMERITECH RETAINS AN ESTIMATED 61 % SHARE IN AT RISK AREAS OF CHICAGO, OR 7,586 DS1 EQUIVALENTS.

METROPOLITAN AREA FINDINGS

- CHICAGO -

COMPETITORS

METROPOLITAN FIBER SYSTEMS (MFS)

MFS, THE LARGEST CAP WITH OPERATIONS IN THIRTEEN CITIES NATIONWIDE, ORIGINATED IN CHICAGO'S DENSELY POPULATED LARGE BUSINESS TELECOMMUNICATIONS AREA. LEVERAGING ITS INITIAL SUCCESS IN CHICAGO, MFS ESTABLISHED ITS NATIONAL HEADQUARTERS IN OAKBROOK AND USED THE CHICAGO OPERATION AS A MODEL FOR OTHER METROPOLITAN HICAP MARKETS. IN CHICAGO, MFS ALONE HAS CAPTURED 31% HICAP BUSINESS SHARE, OR AN ESTIMATED 3,855 DS1 EQUIVALENTS IN AT RISK AREAS.

TELEPORT COMMUNICATIONS GROUP (TCG)

TCG, THE SECOND LARGEST NATIONAL CAP, IS BASED IN NEW YORK CITY. TCG CURRENTLY HAS A MINOR MARKET PRESENCE IN CHICAGO. TCG, AFTER ITS PURCHASE BY COX AND TCI (AND BY NOW COMCAST AND CONTINENTAL), IS IN THE PROCESS OF MERGING ITS OPERATIONS WITH ANOTHER CHICAGO CAP, DIGITAL DIRECT. TCG, UNDER ITS NEW CABLE OWNERSHIP, IS EXPECTED TO INVEST IN SWITCHING EQUIPMENT IN CHICAGO IN 1993.

CURRENTLY, TCG HAS APPROXIMATELY 2% SHARE OF ALL DS1 EQUIVALENT CIRCUITS IN AT RISK AREAS OF CHICAGO.

DIGINET

DIGINET, A SECOND TIER NATIONAL CAP, HAS AN ESTIMATED 2% SHARE OF DS1 EQUIVALENTS IN CHICAGO.

METROPOLITAN AREA FINDINGS

- CHICAGO -

TYPE AND CAPACITY OF COMPETITIVE SERVICE

MFS

MFS' SERVICE DISTRIBUTION IS HIGHLY CONCENTRATED IN SPECIAL ACCESS AND LESS IN POINT TO POINT EXCHANGE SERVICES IN CHICAGO.

BASED ON SURVEY RESULTS, MFS EXCEEDS 50% SHARE OF THE BUSINESS FOR DS0 SERVICE IN AT RISK AREAS OF CHICAGO. DS0 CIRCUITS ACCOUNT FOR ALMOST ONE HALF OF MFS' TOTAL DS1 EQUIVALENTS IN CHICAGO.

TCG

ALL TCG CIRCUITS FOUND IN THE SAMPLE WERE SPECIAL ACCESS DS1s.

DIGINET

DIGINET CIRCUITS APPEAR TO BE DISTRIBUTED MORE EVENLY, INCLUDING BOTH SPECIAL ACCESS AND EXCHANGE CIRCUITS.

METROPOLITAN AREA FINDINGS

- GRAND RAPIDS -

METROPOLITAN AREA FINDINGS

- GRAND RAPIDS -

AMERITECH FACES A SINGLE STRONG COMPETITOR, CITY SIGNAL. IN THE GRAND RAPIDS HICAP MARKET. CITY SIGNAL HAS TAKEN 30% OF THE BUSINESS IN AT RISK AREAS OF GRAND RAPIDS.

BUSINESS SHARE BY DS1 EQUIVALENTS

<u>PROVIDER</u>	<u>%</u>	<u>DS1 EQV.</u>
MICHIGAN BELL	69.00%	1,615
CITY SIGNAL	30.00%	702
COMPANY OWNED	1.00%	23
 TOTAL BUSINESS AT RISK	 100.00%	 2340

MICHIGAN BELL RETAINS 69% SHARE, OR 1615 DS1 EQUIVALENTS, OF THE HICAP BUSINESSES IN AT THE RISK AREAS OF GRAND RAPIDS.

METROPOLITAN AREA FINDINGS

- GRAND RAPIDS -

COMPETITORS

CITY SIGNAL

CITY SIGNAL IS A REGIONAL CAP BASED IN GRAND RAPIDS AND CURRENTLY OPERATING IN THREE AMERITECH CITIES. IT'S OWNERSHIP BY TELEDIAL PROVIDES UNIQUE SYNERGIES THAT GIVE IT SOME OPERATIONAL AND MARKETING ADVANTAGES OVER OTHERS IN THE HICAP BUSINESS. AIDED BY THESE SYNERGIES, CITY SIGNAL HAS CAPTURED 30% SHARE OF THE HICAP BUSINESS, OR AN ESTIMATED 702 DS1 EQUIVALENTS, IN AT RISK AREAS OF GRAND RAPIDS.

CITY SIGNAL HAS BENEFITED FROM MARKETING AND SALES SYNERGIES CREATED BY ITS RELATIONSHIP WITH ITS SISTER COMPANY, TELEDIAL, A REGIONAL IC. UNLIKE MOST CAPS, CITY SIGNAL HAS ESTABLISHED RELATIONSHIPS WITH MANY OF THE LARGEST TELECOMMUNICATIONS USERS IN GRAND RAPIDS THROUGH TELEDIAL. EVENTUALLY, EVERY METROPOLITAN-BASED TELEDIAL CUSTOMER IN MICHIGAN BELL TERRITORY WITH A TOTAL LONG DISTANCE BILL EXCEEDING \$1500 DOLLARS MAY BE AT RISK TO CITY SIGNAL SERVICE.

CUSTOMERS SURVEYED BY QUALITY STRATEGIES REVEALED THAT TELEDIAL AND CITY SIGNAL WORK AS A TEAM TO EVALUATE CUSTOMERS' TELECOMMUNICATIONS NEEDS AND TO PROMOTE ONE ANOTHER'S SERVICES. ACCORDING TO SEVERAL CUSTOMERS, TELEDIAL PROVIDES ACCESS TRUNKS THROUGH CITY SIGNAL, FREE OF CHARGE. CITY SIGNAL AND TELEDIAL ACCOUNT REPRESENTATIVES INDICATE THAT ALL TELEDIAL CUSTOMERS WITH A TOTAL LONG DISTANCE BILL OVER \$1500 RECEIVE FREE ACCESS EVALUATIONS FROM CITY SIGNAL.

METROPOLITAN AREA FINDINGS

- GRAND RAPIDS -

CITY SIGNAL (CONTINUED)

BASED ON CUSTOMER AND COMPETITOR INTERVIEWS, QUALITY STRATEGIES BELIEVES THAT THIS TEAM EVALUATION HAS TWO PRIMARY COMPONENTS. FIRST, TELEDIAL AND/OR CITY SIGNAL PERFORM A COST ANALYSIS TO DETERMINE THE CUSTOMER COST SAVINGS OF FREE TRUNK LINES THAT ELIMINATE SWITCHED ACCESS CHARGES PAID TO MICHIGAN BELL. SECOND, CITY SIGNAL ASSESSES THE CUSTOMER'S FUTURE POTENTIAL HICAP USAGE AND EDUCATES THE CUSTOMER REGARDING THE BENEFITS OF HICAP SERVICES INCLUDING VIDEO CONFERENCING AND HIGH SPEED DATA SERVICES.

SOME CUSTOMERS THAT WERE PROVIDED FREE ACCESS TRUNKS INDICATED THAT THEY WERE CONSIDERING CITY SIGNAL HICAP SERVICE.

METROPOLITAN AREA FINDINGS

- GRAND RAPIDS -

TYPE AND CAPACITY OF COMPETITIVE SERVICE

BASED ON SURVEY RESULTS, CITY SIGNAL EXCEEDS MICHIGAN BELL'S SHARE FOR HICAP EXCHANGE SERVICES (i.e. POINT TO POINT INTRALATA EXCHANGE SERVICE, AS DISTINCT SPECIAL ACCESS SERVICES) IN AT RISK AREAS OF GRAND RAPIDS. CITY SIGNAL HAS CAPTURED APPROXIMATELY 60% SHARE OF EXCHANGE SERVICES PARTLY DUE TO THE STRENGTH OF ITS 4Mb/s HIGH SPEED NETWORK .

CITY SIGNAL ALSO HAS A SLIGHT LEAD IN GRAND RAPIDS' SMALL BUT GROWING DS0 BUSINESS.

METROPOLITAN AREA FINDINGS

- DETROIT -

METROPOLITAN AREA FINDINGS

- DETROIT -

BUSINESS SHARE

AMERITECH CONTROLS THE DETROIT HICAP BUSINESS WITH AN ESTIMATED 98% SHARE OF TOTAL DS1 EQUIVALENTS. CITY SIGNAL HAS ENTERED THIS BUSINESS WITH LITTLE MEASURABLE SUCCESS TO DATE.

COMPETITORS

QUALITY STRATEGIES IDENTIFIED LIMITED CITY SIGNAL USAGE IN DETROIT, ACCOUNTING FOR AN ESTIMATED 1% OF TOTAL DS1 EQUIVALENTS. DESPITE ITS LOW SHARE, CITY SIGNAL CAN COMPETE WITH AMERITECH BECAUSE TELEDIAL IS AN ESTABLISHED COMPETITOR IN DETROIT'S LONG DISTANCE AND INTRALATA TOLL MARKETS. BASED ON EXPERIENCE IN THE GRAND RAPIDS AREA, IT IS CLEAR THAT A COMPETITOR'S ABILITY TO OFFER COMBINED HICAP/TOLL LONG DISTANCE SERVICES IS ATTRACTIVE TO CUSTOMERS AND REPRESENTS AN ADVANTAGE, GIVEN LEGAL RESTRICTIONS, AMERITECH CANNOT DUPLICATE.

METROPOLITAN AREA FINDINGS

- CLEVELAND -

METROPOLITAN AREA FINDINGS

- CLEVELAND -

BUSINESS SHARE

OHIO BELL DOES NOT CURRENTLY FACE SUBSTANTIAL COMPETITION FOR HICAP SERVICES IN CLEVELAND, HOLDING AN ESTIMATED 95% SHARE OF TOTAL DS1 EQUIVALENTS. HOWEVER, A RECENTLY FORMED CAP, OHIO LINX, IS REPORTEDLY ACTIVE IN THE CLEVELAND AREA.

OHIO BELL'S ONLY IDENTIFIED HICAP LOSSES IN CLEVELAND OCCUR DUE TO COMPANY OWNED CIRCUITS.

METROPOLITAN AREA FINDINGS

- COLUMBUS -

METROPOLITAN AREA FINDINGS

- COLUMBUS -

BUSINESS SHARE

AMERITECH FACES TWO HICAP COMPETITORS WITH POTENTIAL, BUT LITTLE BUSINESS SHARE IN COLUMBUS CURRENTLY. OHIO BELL RETAINS AN ESTIMATED 94% OF TOTAL DS1 EQUIVALENTS IN COLUMBUS.

COMPETITORS

METROCOM

METROCOM HAS A FIBER OPTIC NETWORK IN COLUMBUS AND AN ESTIMATED 3% SHARE OF COLUMBUS' HICAP BUSINESS, BASED ON SURVEY RESULTS.

WILTEL

WILTEL, CURRENTLY HOLDING LESS THAN 1% OF THE TOTAL DS1 EQUIVALENTS IN COLUMBUS, MAY POSE A SERIOUS THREAT TO AMERITECH IN THE FUTURE.

IN A FOLLOW-UP INTERVIEW, TO CONFIRM SURVEY RESULTS, A QUALITY STRATEGIES ANALYST CONFIRMED THAT WILTEL CURRENTLY REVIEWS MANY OF ITS LARGEST LONG DISTANCE ACCOUNTS TO CONSIDER THE BENEFITS OF CARRIER PROVIDED SPECIAL ACCESS. WILTEL INDICATES THAT IT IS ALSO CONSIDERING ENTERING THE CAP BUSINESS. BASED ON THE CITY SIGNAL / TELEDIAL FINDINGS IN THIS REPORT, WILTEL MAY HAVE THE POTENTIAL TO TAKE SUBSTANTIAL HICAP BUSINESS FROM AMERITECH IN THE FUTURE.

METROPOLITAN AREA FINDINGS

- INDIANAPOLIS -

METROPOLITAN AREA FINDINGS

- INDIANAPOLIS -

BUSINESS SHARE

INDIANA BELL FACES SERIOUS POTENTIAL COMPETITION FOR HICAP SERVICES IN INDIANAPOLIS CURRENTLY. INDIANA BELL HOLDS AN ESTIMATED 95 % SHARE OF TOTAL DS1 EQUIVALENTS. INDIANA BELL'S ONLY IDENTIFIED LOSSES OCCUR TO COMPANY OWNED CIRCUITS.

COMPETITORS

TWO CAPS, INCLUDING INDIANA DIGITAL ACCESS (CURRENTLY BELIEVED TO BE PROVIDING ONLY POINT TO POINT EXCHANGE CIRCUITS FOR CARRIERS AND LARGE USERS), AND CITY SIGNAL ARE POISED TO COMPETE IN INDIANAPOLIS. CITY SIGNAL HAS DISTINGUISHED ITSELF AS A SERIOUS COMPETITOR IN DETROIT AND GRAND RAPIDS.

METROPOLITAN AREA FINDINGS

- MILWAUKEE -

METROPOLITAN AREA FINDINGS

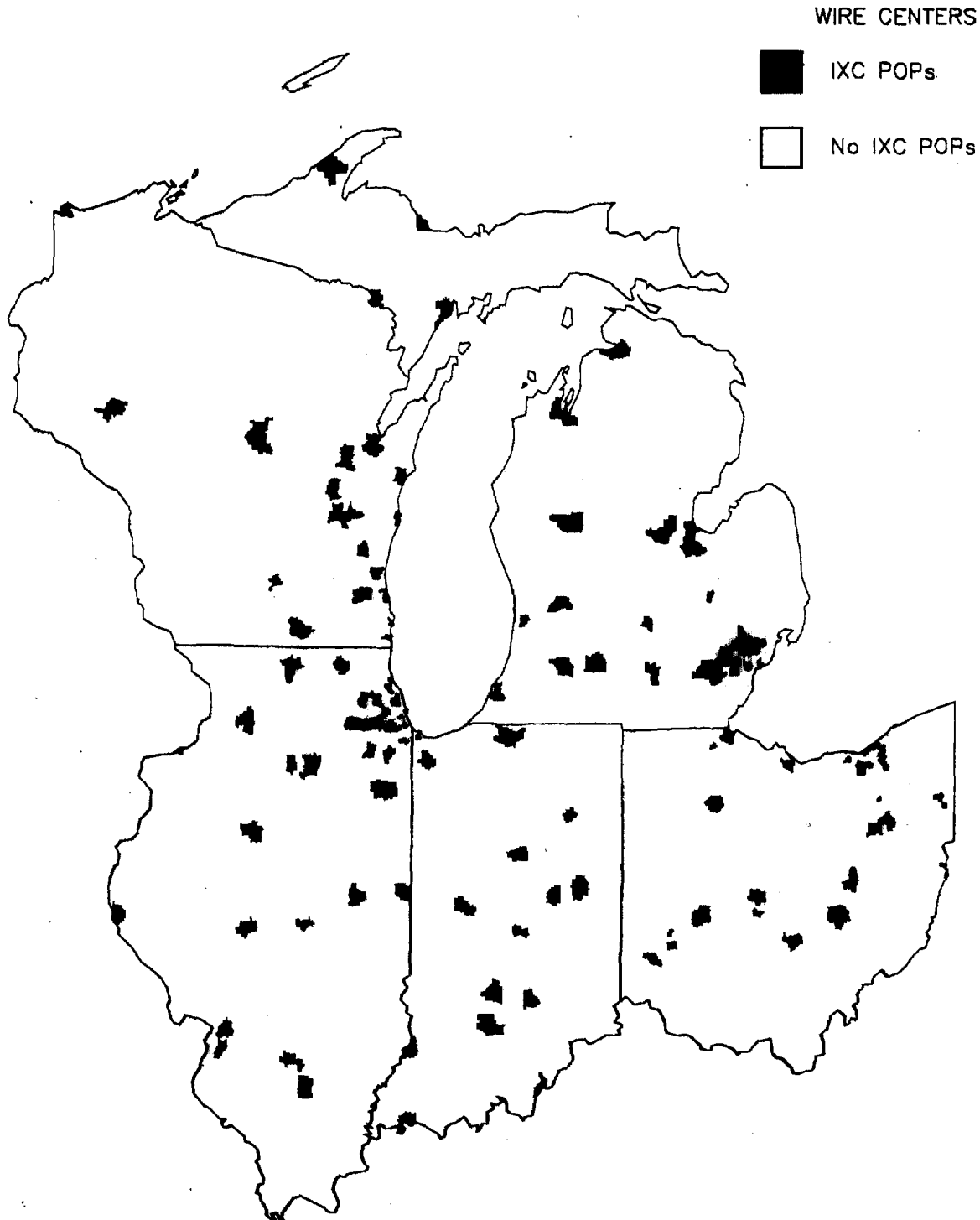
- MILWAUKEE -

BUSINESS SHARE

WISCONSIN BELL FACES LIMITED COMPETITION FOR HICAP SERVICES IN MILWAUKEE. WISCONSIN BELL HOLDS AN ESTIMATED 98% SHARE OF TOTAL DS1 EQUIVALENTS. WISCONSIN BELL'S ONLY LOSSES OCCUR TO COMPANY OWNED CIRCUITS.

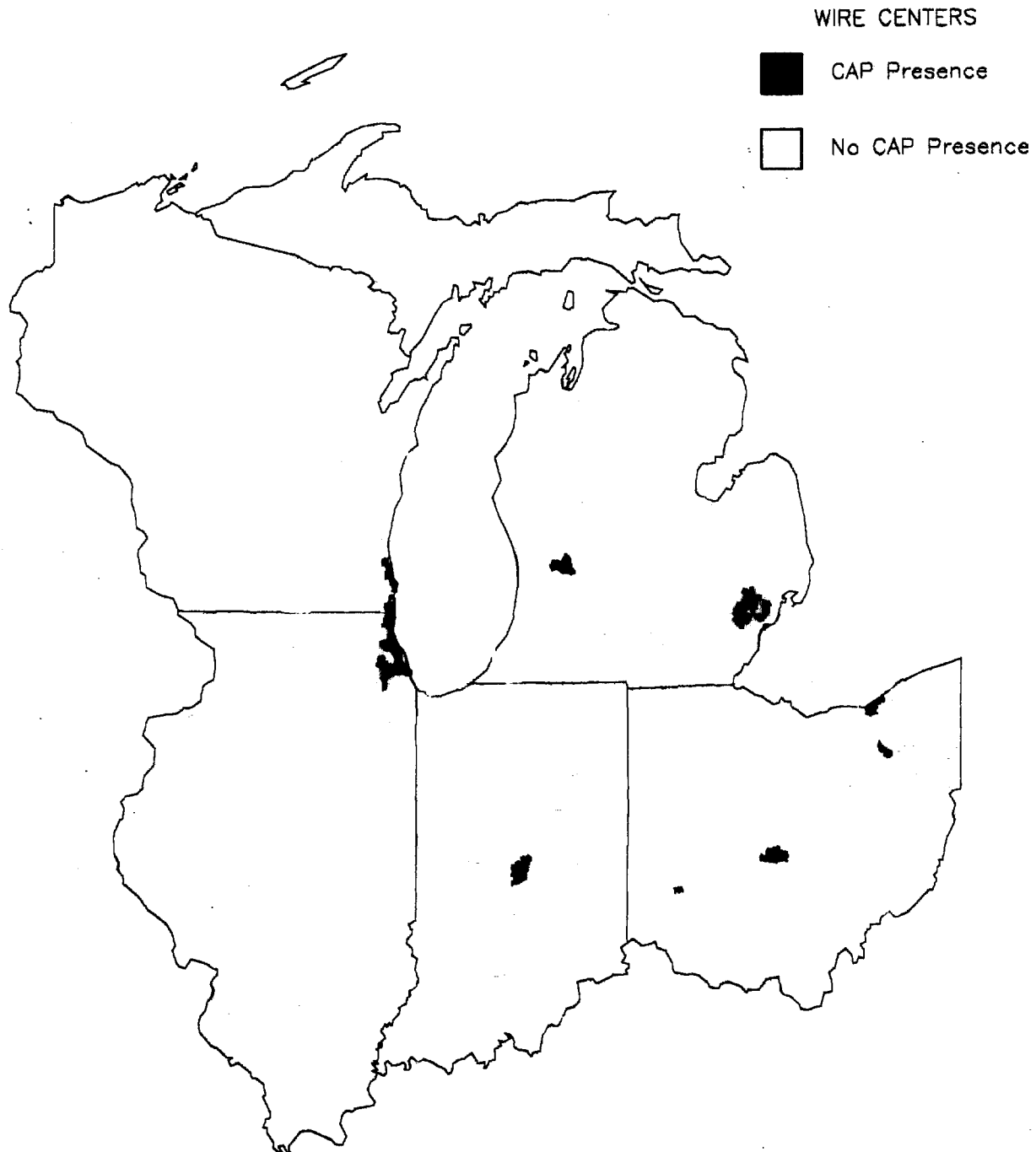
HOWEVER, DIGINET HAS CAP OPERATIONS IN MILWAUKEE AND IS BELIEVED TO BE OFFERING END-USER SERVICE.

IXC POPs in Top Revenue Producing Wire Centers



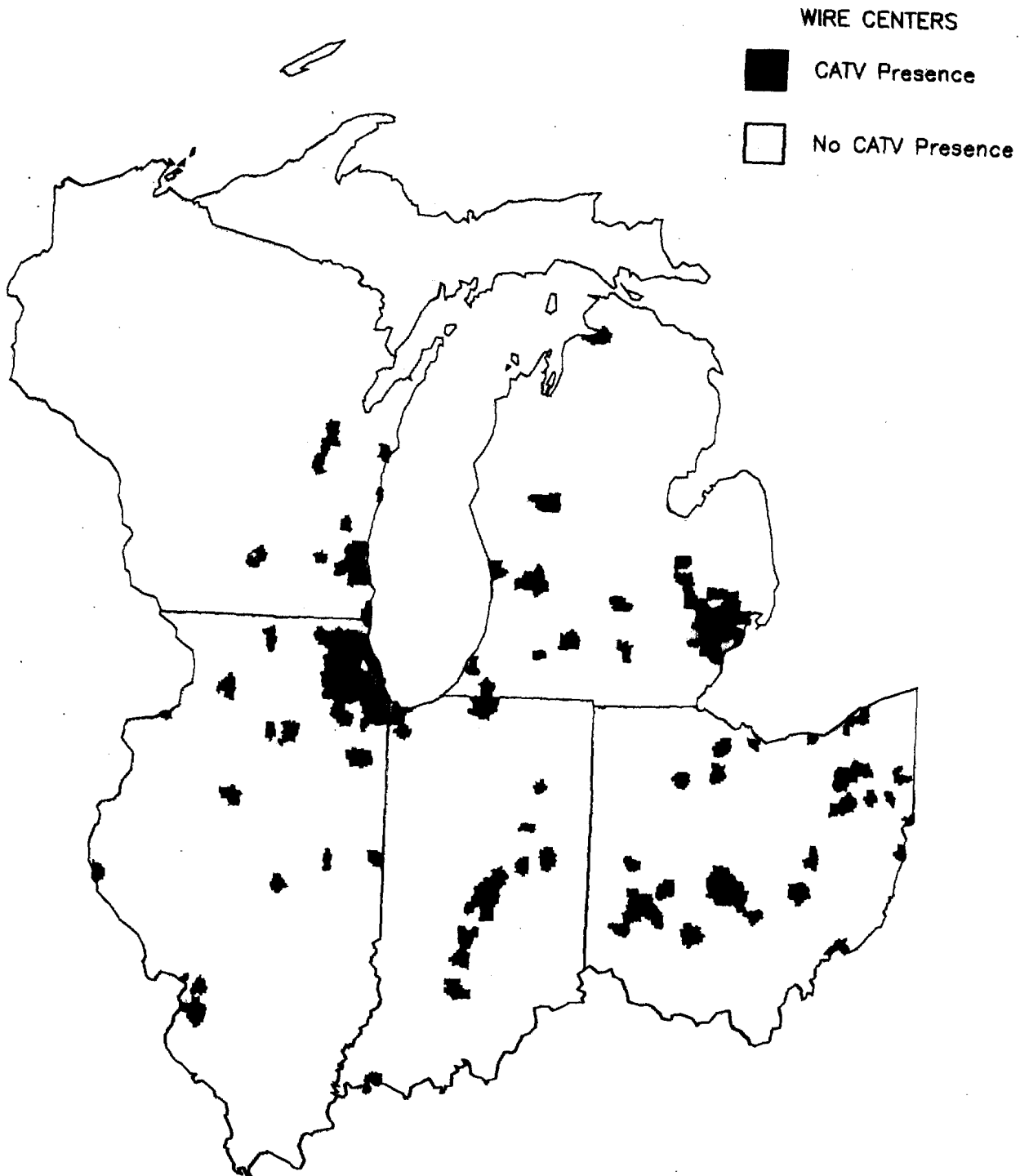
- Top 40% of wire centers account for 88% of Ameritech's overall revenue.
- Out of 1183 wire centers in the Ameritech region, IXC's have networks in 242, giving IXC's access to 44% of Ameritech's revenue.

CAP Presence in Top Revenue Producing Wire Centers



- Top 40% of wire centers account for 88% of Ameritech's overall revenue.
- Out of 1183 wire centers in the Ameritech region, CAPs have networks in 111, giving CAPs access to 29% of Ameritech's revenue.

CATV Presence in Top Revenue Producing Wire Centers



- Top 40% of wire centers account for 88% of Ameritech's overall revenue.
- Out of 1183 wire centers in the Ameritech region, the top 4 national CATV MSOs (Time Warner, TCI, Continental, Comcast) have networks in 748, giving CATV networks access to 77% of Ameritech's revenue.